

Message Text

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44

ACTION EB-06

INFO OCT-01 EUR-08 EA-06 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-05 NSAE-00 RSC-01 FAA-00 AEC-05

AID-05 CEA-01 CIEP-01 FEAE-00 FPC-01 H-01 INT-05 L-02

NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-01 PA-01 USIA-06 PRS-01 /093 W

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R 210736Z OCT 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4333

INFO AMEMBASSY BANGKOK

AMCONSUL BRISBANE BY POUCH

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMCONSUL MELBOURNE

AMCONSUL MONTREAL

AMCONSUL PERTH BY POUCH

AMEMBASSY SINGAPORE

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EAIR, ENRG, AS

SUBJ: JET FUEL PRICES RISE FOR INTERNATIONAL AIRLINES

1. OCTOBER 19 MELBOURNE AGE STORY CLAIMS GOA HAS DOUBLED FUEL COSTS OF INTERNATIONAL AIR CARRIERS. STORY AVERS MINERALS AND ENERGY MINISTER CONNOR, BACKED BY TRANSPORT MINISTER JONES, HAS ORDERED LOCAL OIL COMPANIES TO CHARGE INTERNATIONAL AIRLINES "CURRENT OVERSEAS PRICES FOR JET FUEL". PRICE HIKE WILL LEAD TO LIMITED OFFICIAL USE

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10 PERCENT OVERSEAS FARE RISE, ACCORDING TO STORY. DOMESTIC

AIRLINES WOULD BE UNAFFECTED, BUT QANTAS, AS WELL AS NON-AUSTRALIAN OVERSEAS CARRIERS PRESUMABLY WOULD, SINCE THEY EXPORT JET FUEL. STORY ALSO CLAIMS IATA SECRETARY-GENERAL HAMMERSKJOLD HAS WRITTEN JONES TO URGE, UNSUCCESSFULLY, THAT JET FUEL PRICES NOT BE RAISED.

2. GRAY, DEPARTMENT OF MINERALS AND ENERGY (DME), HAS TOLD EMBASSY OFFICER STORY BADLY DISTORTS FACTS. GRAY SAYS MINISTER CONNOR HAS LONG SOUGHT TO GET "WORLD PRICES" FOR LOCAL JET FUEL EXPORTED FROM AUSTRALIA. EXISTING CONTRACTS BETWEEN CARRIERS AND OIL COMPANIES HAVE PRECLUDED GOA FROM UNILATERALLY RAISING FUEL PRICES UNDER ITS EXPORT CONTROL POWERS. HOWEVER, FOR NEW INTERNATIONAL SERVICE BEING INAUGURATED TO SYDNEY (APPARENTLY BY CATHAY PACIFIC, ALTHOUGH GRAY WOULD NOT IDENTIFY CARRIER), CONNOR DECIDED OCTOBER 18 THAT NEW FUEL CONTRACT MUST SPECIFY PRICE AT HIGHER "WORLD" LEVEL, WHICH IS APPROXIMATELY 75 PERCENT HIGHER THAN RATES SPECIFIED IN CONTRACTS SIGNED WITHIN RECENT YEARS. CONNOR MADE NO STATEMENT ON DECISION, BUT GRAY SAYS NEW PRICES WILL AFFECT OTHER INTERNATIONAL AIRLINES, INCLUDING QANTAS, ONLY AS THEIR CURRENT FUEL CONTRACTS EXPIRE. GRAY SAYS BURDEN OF PROOF WILL BE ON OIL COMPANIES TO SHOW THAT THEIR PRICES IN NEW CONTRACTS ARE AT "WORLD LEVEL", ADDING THAT DME CONSIDERS "ABOUT US35 CENTS PER GALLON" A GOOD TARGET, BASED ON TRANS-ATLANTIC PRICES.

3. LOCAL PAN AMERICAN MANAGING DIRECTOR, RUSH CLARK, PREVIOUSLY TOLD AMBASSADOR THAT DME HAS BEEN PRESSURING PANAM FOR DETAILS (PRICE, DURATION, MAXIMUM DELIVERY LEVEL) OF ITS LOCAL JET FUEL CONTRACTS. CLARK SAID PANAM'S CURRENT CONTRACT EXTENDS THROUGH 1975. HE EXPECTED DME WOULD TRY TO FORCE PANAM TO PAY NEW "WORLD" PRICES FOR JET FUEL PURCHASED BEYOND MAXIMUM QUANTITIES SPECIFIED IN CURRENT CONTRACT AND FOR FUTURE PURCHASES UNDER NEW CONTRACTS.

4. EMBASSY COMMENT: AGE STORY SEEMS TO RELY MORE ON SPECULATION THAN FACTS, BUT ULTIMATE EFFECT ON ALL OVERSEAS AIR CARRIERS COULD BE SERIOUS. WE ASSUME TWO-TIERED PRICE STRUCTURE FOR JET FUEL, WITH INTERNATIONAL CARRIERS PAYING MORE THAN DOMESTIC, DOES NOT CONTRAVENE IATA, GATT OR OTHER MULTILATERAL OBLIGATIONS. IF THIS TRUE, PANAM AND USG APPEAR TO HAVE NO BASIS FOR OPPOSING IT AS LONG AS ALL OVERSEAS CARRIERS, INCLUDING QANTAS, ARE LIMITED OFFICIAL USE

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REQUIRED TO PAY NEW, HIGHER PRICES. MISSION WILL WATCH FOR ANY EVIDENCE OF DISCRIMINATION AGAINST PANAM.

5. ACTION REQUESTED: PLEASE ADVISE WHETHER ASSUMPTION (PARA 4) ON LEGALITY TWO-TIER PRICES IS CORRECT.
GREEN

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